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SUSTAINABLE INDUSTRIAL DEVELOPMENT

Note by the Executive Secretary

Background

1. The Round Table conference on Cooperation and sustainable industrial development is an opportunity to review some of the impediments limiting industrial development in many transition economies and benefit can be drawn from views of both high level personalities from the business community and of ministers or senior officials. It is also an occasion to explore how the ECE forum can be better used to facilitate dialogue between Governments and the private sector on matters of international dimension or related to the reform process.

2. In several publications, such as the Bulletin, the Survey, "Industrial restructuring in selected countries in transition", the review ECE made at the request of OSCE on the implementation of the commitments contained in the document of the Bonn Conference on Economic Cooperation in Europe, as well as in various sectoral documents, ECE has raised the difficulties faced in limiting the development of the private sector. The main issues are summed up below, in Part I.

3. ECE has well-established relations with the enterprise sector, both public and private. The number of private entities involved in ECE activities increases regularly. Representatives of enterprises participate in many meetings as part of national delegations and contribute to the elaboration of many norms and standards. The enterprise sector also directly supports analytical and statistical activities as well as workshops, seminars and study tours. Annex I provides a comprehensive description of these activities. Enterprises have not so far been involved in the debate on the process of

reforms and Governments have not yet had the opportunity to take a global view of cooperation between ECE and the enterprise sectors, in particular private. Part II provides a brief analysis of interests at stake and proposes a step-by-step approach to strengthen dialogue with the private sector.

I. RESTRICTIONS ON ENTERPRISE COOPERATION AND INTERNATIONAL INVESTMENT

4. The economies of central and eastern Europe and the CIS are, as shown in ECE Surveys and Bulletins, beginning to turn the corner. Rates of growth are encouraging and the prospects for these to be sustained are promising. The markets are large with a huge pent-up demand for goods and services that exists nowhere else in the ECE region. Consequently, the conditions for enterprise cooperation and international investment in central and eastern Europe have improved dramatically. The legal restrictions on establishing enterprises have been removed in most of the countries of central and eastern Europe and only in a few CIS countries do the residual vestiges of the old investment regimes remain. Here too progress continues at a rapid pace. There are few if any major restrictions on repatriation of capital and profits. The strengthening of local currencies and their convertibility means that companies can earn good profits in the region.

5. Financing, however, is difficult with local banks favouring only short-term maturities but the growing establishment of foreign banks is a positive sign of the increasing confidence in the region. Getting legal audits is now possible and well established, even though it takes longer and costs more. Human resources have everywhere tended to be a success story. Few investors have been disappointed in the calibre of human resources which they have found. Foreign investors have become substantial employers and have encountered no significant problems with trade unions and the local workforce either. Crucial in the success of this opening up has been the elimination of obstacles to exports on western markets, particularly to the European Union as a result of Association Agreements and other arrangements, although improvements are required in the area of agriculture and high technology products. Trade facilitation techniques need to be improved too at all borders and amongst all business operators for integration to be more effectively achieved.

6. The quality of local partners has also made rapid progress although the formation of small and medium-sized enterprises has been slower than hoped due to the difficult economic situation and the problems of obtaining financing from local banks. Multilateral institutions such as the EBRD have been active in this area to improve the access of SMEs to lines of credit. Overall the conditions for doing business have improved notably.

7. Even so, the volume of investment is still too small, particularly to the CIS. In the "Review of the implementation of economic dimension commitments contained in the Document of the Bonn Conference on Economic Co-operation in Europe" (Geneva, 22-23 January 1996) the ECE secretariat has tried to identify why investment has not kept in line with the opening up of markets. At the beginning of the reforms, most Governments had thought the removal of barriers would lead automatically to a flood of foreign capital. The main difficulties have been the legal framework, enforcement, institutions that work and more

recently organized crime and corruption. All these factors have created a negative perception amongst the investor community and particularly amongst the most vulnerable, the SMEs. In addition, fears about political change are also attributable factors to this relatively poor performance in attracting investment. There is no doubt that most laws are now in place, that legal counsel has improved and that the court system is rapidly adapting. However, even when investors obtain a favourable judgement, there is no guarantee that it will be enforced. There are also problems of registering title and collateral although this is now more a problem in the CIS than in central Europe.

8. It has been repeatedly stressed by the ECE that a reliable legal framework is the basis for attracting FDI and promoting industrial cooperation, consisting of fiscal, insolvency, company and arbitration laws, investment protection, intellectual and commercial property rights, arbitration procedures, accounting systems and a well-functioning administrative framework. Generally speaking, many of these laws have been enacted but problems have occurred in their enforcement. First, the skills required are insufficient. Enforcing competition laws, for example, demands a specialized knowledge of the role of enterprises in a market economy and the ability to identify the precise activities of an enterprise responsible for generating a monopoly structure, and the ability to draw up plans if necessary for an effective break-up of the enterprise concerned. Second, many of the institutions are not in place to record property rights. This is true for registers of various types of security. Thirdly, new practices based on new laws cannot be changed overnight and need to be administered and implemented by various professional groups which in many countries in central and eastern Europe are underdeveloped. Finally, there are not enough lawyers and judges competent in civil and commercial law that are experienced in drawing up and enforcing contracts. These circumstances explain some of the impediments to the improvement of business conditions, as for instance difficulties in getting a clean title to assets that provides assurances on who owns the property, the problem of minority rights (most significant in those countries which have had a rapid transfer of ownership in mass privatization and where there are a large number of passive investors), the problem of collateralizing loans which is also connected with the difficulties surrounding ownership and control.

9. A related problem has been the difficulties for countries in central and eastern Europe and the CIS to develop the necessary systems of disseminating information about recently enacted laws. In part this problem is due to the speed of the legislative programme itself. The systems cannot cope with the huge volume of new legislation which is coming on to the statute books. It is also due to the poor quality of the public administrations in several CIS countries, a function of very low pay, and to official obfuscation, a legacy of the old times when legal information had only a restricted circulation and was at the discretion of those in power.

10. Progress has been significant in developing the protection and promotion of international investment through bilateral and multilateral arrangements. Many new bilateral treaties have been signed amongst the participating States. Several east European countries have also signed Association Agreements with

the EU and several CIS States have concluded special partnership and cooperation agreements with the EU which contain agreements on mutual protection of investments. The commitment to develop multilateral standards on the protection and promotion of investment is currently being implemented by the OECD and should be finalized in late 1997.

11. This exposé has focused on legal and administrative restrictions for international investments and enterprise cooperation. There are of course several other restrictive factors relating to, for instance, macroeconomic and fiscal stability and environmental policies.

12. International as well as national investors require, among other things, macroeconomic and fiscal stability in order to plan investment strategies. Rapid changes in macroeconomic and fiscal policies are inimical to this objective; firms will be more willing to invest if they can be reasonably confident of sustained and steady growth in demand. Controlling inflation and stabilizing exchange rates are important objectives because of the way they distort prices and push up interest rates. A minimum requirement is that investors are confident that government policies on these issues do not change at the first crisis that might arise and which might call for new and contradictory objectives in economic policies. Transition economies have made progress in this area but much still is required. Equally a commitment to sound public finances is necessary, as without it, the uncertainties and costs businesses face rise. High levels of government borrowing increase the burden of public debt, raise interest rates and ultimately force higher taxation rates. Unpredictable and high rates of taxation have created problems for enterprises in some transition economies.

13. Finally, there is the problem of the environment which is vital for sustainable industrial development. There is a need to deal with the legacy of the past and to enforce high standards in environmental control. Many transition countries have enacted new laws with exacting standards but the problem of who pays for the clean up and who is responsible for the legacy of the past has proved to be a stumbling block to greater foreign involvement in the region. In some cases, however, Governments have granted investors special environmental indemnities against the threat of legal action for environmental damage.

II. RELATIONSHIP BETWEEN ECE AND THE PRIVATE SECTOR

14. ECE's long history as a forum for promoting and carrying into effect international cooperation with the business community is described in the Annex "The UN/ECE and the Business Community". On the basis of existing experience and with the aim of filling the gaps in the relationship between the ECE and the business community, some suggestions are made below, in line with the recommendation of document E/ECE/1328, para 98, that cooperation with the business community should be strengthened through the elaboration of a "more consistent framework of cooperation with the business community".

15. The arguments contained in this note are based on a number of premises: firstly that ECE is an intergovernmental body; secondly that a more consistent framework of cooperation with the business community is one which better

addresses the concerns of the business community; thirdly that the private sector's attraction to the ECE is by no means automatic and that only if the activities of the organization are relevant to it will it increase its role. It flows from this that a consistent framework of cooperation that strengthens collaboration is one which allows a meaningful dialogue to develop between the private sector and Governments.

A. How is the private sector involved in the ECE's present activities?

16. Several ECE activities benefit from the input of the business community and are of direct interest to it, namely:

- (a) Adoption of international standards which have an impact on business activity, either for facilitating international trade and transport (standards for road vehicle construction and electronic exchange of structured data files (UN/EDIFACT)) or improving the environment (conventions on air pollution or industrial accidents).
- (b) Collection of international statistics and data on production, trade and investment, either at national level or in specific areas (steel, chemicals, engineering industries, energy, trade and transport);
- (c) Operational activities supporting specific programmes (e.g. Energy Efficiency, Gas Centre) and the organization of workshops, seminars, symposia and study tours in well-defined technical or business areas with the aim of facilitating contacts between companies in the ECE region, in particular between the east and west.

17. This cooperation takes different forms. First and foremost, the private sector has been, and continues to be, active in the ECE as part of Government delegations. Secondly, in a few instances, private enterprises second their businessmen to work with the ECE secretariat on specific projects, notably in the steel and chemical sectors. Thirdly, the private sector is prominent in Special Projects such as Energy Efficiency and the Gas Centre. Fourthly, the private sector is involved in ECE activities in the form of support groups to various PSBs. For example, certain of the activities of the World Business Council for Sustainable Development (WBCSD) can be seen as supporting the work of the Committee on Environmental Policy.

18. To date no ECE activities draw on the experience of the enterprise sector with the reform process at the macro level, i.e. at the level of the institutional framework and the macroeconomy. This may be due to the fact that the structure of collaboration described above, although strong at the working level, is not at the moment sufficient to permit effective dialogue between senior management and the Governments of ECE member States. So far senior management and government officials share platforms only during some activities, but these tend to be ad hoc events.

19. Even if there is no formal mechanism for high level dialogue between business and member Governments, there is no doubting that the private sector does appreciate the opportunity given by ad hoc seminars and similar occasions to hear from Government representatives about their ideas and policies on a

given topic of interest. This was made clear by the replies to a questionnaire survey of 300 private sector participants at a UN/ECE Forum on financing infrastructures in central and eastern Europe and the CIS in November 1995. These participants unanimously identified the possibility of dialogue with Governments as one of the most useful elements of the Conference.

B. What are the benefits of cooperation with the business sector for ECE member Governments?

(a) Expertise and experience

20. The skills that the private sector has at its disposal are vital for developing a whole range of projects that are important for member Governments, particularly those in transition to a market economy. As market operators with direct experience of the business environment they can inform Governments of weaknesses and shortcomings in the institutional framework and contribute thereby to making the programmes decided by the Governments more effective. Their views can help Governments to decide on the priorities for reform. This is particularly helpful for many Governments of transition economies who, faced with inadequate resources, must make difficult choices on the priorities for policy implementation.

(b) Resources

21. The private sector makes a significant contribution to the resources available to the ECE secretariat. This is particularly valuable in view of the severe financial crisis currently affecting the Organization. Such contributions are made in kind and in cash to trust funds. In 1995 the private sector contributed US\$ 1,408,030 to UN/ECE trust funds. In the same year member Governments contributed US\$ 2,329,114.

22. The value of private sector assistance to trust funds, while impressive, grossly underestimates the contribution that the private sector constantly makes to ECE resources, a good example of which is the development of the UN/EDIFACT standards in trade facilitation, where between one- and two thousand representatives from the private sector work on a pro bono basis on the development of these standards.

(c) Raising the profile and influence of the ECE

23. Governments, as never before, are anxious to listen to businessmen. Many ECE member States have devised new ways of forging partnerships with the private sector in their own countries. In this new climate, the involvement of the business community in ECE's work raises the ECE's profile and enhances its influence and prestige. The benefits mentioned above however, will continue or expand only if the work of the ECE appears pertinent to the concerns of the business community.

C. What are the main concerns of the business community as reflected in ECE's work?

24. The business community is not monolithic. Typically, enterprises have very different interests depending on their size, on whether they are domestic or foreign and on whether they are State- or privately-owned.

25. Nevertheless, with respect to doing business in the ECE region, it is possible to identify amongst the business community two broad types of concern, one at the macro and the other at the micro level. At the macro level, the concerns are related to barriers to trade and investment. These barriers still exist or threaten to reappear, despite the commitments from Governments to pursue policies of trade liberalization and economic integration, and more broadly there are still uncertainties in the implementation of laws and rules. This particularly frustrates the large multinational companies, who would be in the best position to benefit from the economies of scale created by open markets as well as the foreign small and medium-sized business enterprises, which hesitate to invest in transition economies because of a regulatory legal and fiscal framework that is uncertain and/or subject to constant change.

26. At the micro level, enterprises are concerned by their (in)ability to adjust to a more competitive environment and their lack of knowledge of foreign markets. These concerns are particularly felt by domestic enterprises in the transition economies.

27. These concerns at the macro and micro levels are confirmed by statistical data which reveal that, despite the opening up of markets between east and west, the level of trade and investment is still small, particularly amongst the economies of the CIS.

28. It is worth noting that outside the ECE region there is a growing tendency for the business community to assume leadership in promoting the goals of trade liberalization and market access. They have begun to do this at the level of new regional trade groupings or within country delegations to international organizations such as the WTO, where the private sectors of various countries were instrumental in forcing the pace of liberalization in some goods and services. Often, the concern of these enterprises at the macro level is to ensure that their Governments, who have agreed to trade liberalization, market access and an equitable treatment of domestic and foreign enterprises, actually implement their commitments.

D. How can the participation of the business community in ECE's activities be enlarged to maximize its benefits ?

29. There are three separate aspects to this question:

(a) Guidelines as a basis for future strategy to develop private sector participation

30. The significant benefits which the private sector brings to the work of the ECE have been noted above. However, often action is required by the

secretariat to properly channel private sector involvement so that it does not become counterproductive. For example, the ECE secretariat has had to convince the private sector not to use its fora as commercial occasions, to publicise their goods or services. On the other side of the coin, attempts to exploit the private sector simply for its financial resources should also be resisted. A few guidelines might therefore be proposed. Cooperation with the private sector should be encouraged only where it is:

- Demand driven, with the initiative clearly coming from member states or the private sector;
- Clearly in line with the work programme of the ECE;
- Aware of the UN rule which, inter alia, precludes use of the UN logo for commercial gain;
- Integrated within ECE's regular work programme and operates under the mandate of ECE;
- Participating in ECE operational activities devoted to assisting the transition process to market economies in full agreement with recipient countries.

31. Private sector cooperation should not be sought solely with the intention of raising funds for ECE. Neither should the ECE give favoured access to a select number of companies, or give access solely to State-owned enterprises.

(b) Enhancing current projects

32. The private sector is active in projects such as UN/EDIFACT, Gas Centre, Energy Efficiency 2000, but could be encouraged to become more so as a means of disseminating the products of these projects more extensively.

33. Working Groups that develop good ideas could launch initiatives which are financed by the private sector itself and which do not require significant secretariat resources. For example, under the auspices of the Working Party on International Contract Practices in Industry, a group of private sector experts has been constituted to draft model Guidelines on Build Operate and Transfer (BOT) techniques for central and eastern Europe. The advantages of these groups are that they are not constrained by resource limitations within the UN system. They can meet when necessary and can deliver their product efficiently.

(c) From Round Table conference on Cooperation and Sustainable Industrial Development to Permanent UN/ECE Business Council?

34. From the review made above, there is as yet no permanent high level structure within ECE that allows proper and permanent dialogue between Governments and the private sectors/business communities. All existing activities are carried out without an overall review of the relations between the ECE and the business community. This raises the question whether to do this it is necessary to establish a permanent body of representatives from the private sector and the ECE.

35. Supporting the idea, mention could be made of the apparent support for such an idea from the business community itself; the setting up of business-

Government Councils at the highest level in other regions of the world; the growing desire of ECE members that their activities be of direct relevance to the business community; and the singular ideal position of the ECE as the only international multilateral agency with Government membership from the whole region. This being said, the resource question must not be overlooked. ECE resources will not increase and indeed may well decline in the short term. Any new initiative must therefore take into account the resource implications.

36. Accordingly, it would be prudent to proceed step-by-step, as follows:

- first, see how the Round Table develops as a forum that provides an opportunity to open a dialogue between the private sector and Governments at the highest level.
- second, consider establishing an informal group including some of the participants in the Round Table, to review ECE activities involving the private sector and to report to the Commission.
- third, canvass the opinions of the business community for this proposal and draw from the experience of other regional multilateral agencies which have established similar business councils.

Concluding Remarks.

- (a) Business has had a long standing cooperation with the ECE of mutual benefit, operating at various levels and in various forms.
- (b) The different modalities of cooperation could be continued and expanded. Private sector representatives can continue to play a prominent role within the ECE and address its meetings.
- (c) Trade and investment barriers area of major concern to the business community. Dialogue is needed between ECE member Governments and the business community on the ways and means of removing them. Experience shows that dialogue between Governments and the business community is crucial for reforms to become stable and permanent in the transition economies.
- (d) Further Round Tables on Sustainable Development should take place. The progress towards the establishment of a permanent UN/ECE Business Council should be encouraged but by taking a step-by-step approach.

ANNEX

THE UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE
AND THE BUSINESS COMMUNITY

I. AN OVERVIEW OF THE COMMISSION'S INTERACTION WITH THE BUSINESS COMMUNITY

1. Established in 1947, the Economic Commission for Europe's main objective in its initial phase was the coordination and promotion of international economic cooperation for the reconstruction of post-war Europe. To this end, it cooperated with the business community in the latter's effort to supply strategic materials such as coal, timber and steel for the reconstruction of vital industrial sectors and infrastructure. Over the years, the promotion of dialogue and cooperation between countries of the region with different economic systems became a major task of the Commission. At the end of its fifth decade, ECE continues to serve as the longest-standing permanent intergovernmental multilateral body for the promotion of pan-European and transatlantic economic cooperation.

2. Since its inception, the ECE has maintained extensive relations with the private sector, whose active participation in the Commission's work has proved to be essential. This sector's interest in the Commission's work has evolved with the changing political and economic situation in the region. This is explained by the fact that the ECE is one of the few regular forums where a multilateral and comparative perspective can be taken with both the business community and government officials.

3. In 1990, the Commission issued a brochure entitled "ECE and the Business Community" which describes its long-standing relations with the private sector. The brochure served as an ECE contribution to the Bonn Conference on Economic Cooperation in Europe held in March/April 1990.

4. The ECE relates to the business community in a number of ways. It:

- provides relevant information and publications related to its work;
- draws up conventions and norms;
- promotes trade and investment; and
- provides assistance to countries in transition.

5. The business community's participation in ECE activities takes various forms:

- contribution of expertise and material to symposia and other meetings;
- participation in the formulation and implementation of the work of various ECE Principal Subsidiary Bodies;
- active participation in seminars, round tables, workshops and study tours organized under ECE auspices, which provide opportunities for business contacts; and
- involvement in technical cooperation programmes.

6. A practice has been developed whereby non-governmental organizations, including the business sector, participate in the Commission's work with a

minimum of formalities. Those with ECOSOC consultative status can attend automatically. In addition more than 70 professional organizations have sought and obtained consultative status with ECE. They participate in its meetings, offer expert opinions and contribute to the decision-making process in areas that affect their areas of interest. Many other business associations are invited in an expert capacity to participate in the Commission's work. The Commission has participated as an observer or prepared substantive contributions at various economic forums, including Davos and Crans Montana.

II. KEY FIELDS OF INTEREST TO THE BUSINESS COMMUNITY

Programme of Workshops

7. The Commission is responding to the needs of the countries in transition by offering technical assistance, the transfer of specific information and know-how as well as assistance in capacity building. Current ECE technical assistance activities take the form of advisory services to Governments, technical cooperation programmes and projects and demand-driven, self-financing workshops on issues relevant for transition businesses. The ECE programme of workshops is financed through extra-budgetary resources, to a large extent by the countries in transition themselves. The programme, including study tours and visits, is supported by the business community and by bilateral contributions in cash and in kind from Governments and private sponsors in market economies.

Trade facilitation

8. ECE has been at the vanguard of technical progress by launching and developing the rules known as UN/EDIFACT (United Nations Electronic Data Interchange for Administration, Commerce and Transport), which is the world standard for business data interchange. UN/EDIFACT is a "paperless trading system" using computer-to-computer transfer of commercial or administrative transactions between business firms or international organizations. This has been achieved with the active participation of the business community. Several thousand experts world wide, mainly specialists from enterprises, are involved in the formulation of UN/EDIFACT messages and recommendations for the electronic exchange of trade and transport data. The role of ECE is to provide guidance, coordinate the work and authenticate and disseminate the messages.

East-West trade and investment promotion

9. A number of seminars have been held on East-West trade promotion, marketing and business contacts. The most recent was the high-level Forum on Attracting Investment for Large-scale Infrastructure Projects in the Countries of Central and Eastern Europe and the Commonwealth of Independent States (CIS), held in November 1995, in Geneva, with the assistance of International Business Communications Limited (IBC, UK Conference Ltd). This Forum brought together some 300 participants, the vast majority of them from the private sector, to explore the feasibility of applying new methods of financing infrastructure projects in the region, involving private enterprises. The Forum also discussed how international organizations can assist the transition

economies in facilitating finance instruments through the drawing-up of guidelines or new training possibilities. The Forum recommended that an expert group of private- and public-sector representatives should be established to develop guidelines on new project financing and construction budget techniques for the countries of central and eastern Europe and the CIS, under the aegis of the ECE Working Party on International Contract Practices in Industry.

10. Since 1990, the legal guidelines published by ECE on the conduct of business in central and eastern Europe have been particularly well received, as has the quarterly review East-West Investment News which provides information on new legislation, developments in privatization and investment trends. Publications such as the Recommendations on the Transport of Dangerous Goods, the European Agreement concerning the International Carriage of Dangerous Goods (ADR) and the Regulations annexed to the 1958 Agreement concerning the adoption of uniform conditions of approval and reciprocal recognition of approval for motor vehicle equipment and parts are, by virtue of their usefulness to the private sector, among the 10 United Nations publications with the broadest geographical sales distribution.

Environment and human settlements

11. During the last 15 years, nine international legally binding instruments, four conventions and five protocols have been developed in the ECE on air pollution, environmental impact assessment, industrial accidents and transboundary waters. These treaties, which are important elements of a common European legal framework, are concrete and effective instruments to eliminate the former dividing line between east and west and to integrate countries with economies in transition into a pan-European legal and economic space. The ECE has also expanded programmes on low-waste technology and waste management. Questions such as slum clearance, urban renewal, recreation space and the protection of historically or architecturally important buildings and sites are also dealt with in ECE. The business community participates in all of these activities, which contribute to a cleaner and healthier environment.

"Environment for Europe" process

12. The "Environment for Europe" process is an umbrella concept which encompasses a range of actions, initiatives and studies, conducted by many national and international organizations. It aims at generating environmental action and solidarity in the ECE region. The process, started in 1991, has been coordinated by the ECE. Environment Ministers from the ECE region attending a Ministerial Conference on the Environment took further steps in the "Environment for Europe" process by adopting a Ministerial Declaration in Sofia, Bulgaria, on 25 October 1995. The Conference focused on the theme "Partners in Cooperation". With the adoption of the Ministerial Declaration, Ministers endorsed the Environment Programme for Europe (EPE) prepared under ECE auspices, in particular the key recommendations for action in Europe. ECE was invited to assess and report on progress made in implementing the Programme to the next Conference (Denmark, May 1998). The Ministers acknowledged the important role of ECE in overseeing the "Environment for Europe" process in close cooperation with relevant agencies and the business

community. The International Chamber of Commerce (ICC) is embracing business involvement in the "Environment for Europe" process and is organizing seminars. The World Business Council for Sustainable Development (WBCSD), formed in January 1995 through the merger of the Business Council for Sustainable Development and the World Industry Council for Environment, is a coalition of more than 120 international companies which aims to promote eco-efficiency through high standards of environmental management and the development of projects.

Transport

13. ECE has formulated a wide range of transport agreements and conventions to help create the necessary regulatory basis, including the harmonization of customs procedures. These legal instruments cover, for example, road accident prevention, transport of dangerous goods, development of infrastructure and legal and administrative procedures for transport operations, including customs. The TIR marking on the back of lorries moving goods is the result of an ECE customs convention which permits loads to be moved across frontiers without time-consuming and expensive delays at intermediate customs.

Motor vehicle standards

14. Over 80 regulations concerning the construction of motor vehicle parts and equipment drawn up within the framework of ECE are constantly updated. The aforementioned 1958 Agreement seeks the adoption of the highest possible standards concerning road safety and the protection of the environment while facilitating international trade in motor vehicles and equipment by eliminating technical barriers. Representatives of the manufacturing industry are active in the formulation and implementation of this work.

Industrial cooperation

15. In industry, ECE has a record of successful cooperation with business circles. The Commission's activities in the industrial fields of chemicals, steel and engineering and automation attract a wide variety of groups from the private sector. In fact, 80 to 90% of the participants come from this sector. Business circles gravitate to these activities for several reasons. Foremost is the possibility to explore investment opportunities, contact potential partners and enter new markets. The business community also benefits from the exchange of information on a multilateral level at ECE meetings.

16. Cooperation takes place at the international, regional and national levels. Such prominent international associations and firms as the International Iron and Steel Institute (IISI), the European Chemical Industry Council (CEFIC) and the International Federation of Robotics (IFR) participate in the ECE's work. At the regional and national level, Euro Plastic, Euro Chlor, the French Chemical Industry Association, the Euro-Asia Mining and Steel Association, and other business associations are represented at ECE industry events. At a recent round table on the environmental impact of the chlorine industry, the Chairman of Euro Chlor, an organization which represents all European chlorine producers, stated its aim to assist countries

in transition, with the support of the ECE, in improving the safety of their plants and in reducing emissions. The Financial Times, the Steel Times and other professional journals report regularly on ECE seminars, round tables and publications on steel, robotics and chemicals.

17. A Trust Fund for Industry Structural Change and Development has been set up and supported by contributions from Governments and the private sector. Contributors include Austria, Belgium, Japan, and the Republic of Korea. A total of US\$ 800,000 is provided each year. It is used to engage four professional staff representing each country. These professionals, who come from the private sector, acquire valuable international experience at the United Nations and in turn impart their expertise to the Organization. Some countries have committed themselves to the Trust Fund up to the year 2002.

Energy

18. ECE has extensive relations with the business sector in the coal, electrical and natural gas industries. To date these relations have been highly satisfactory. Energy-supplying industries are involved in the ECE Gas Centre while energy technology manufacturing industries, such as Rolls Royce and Siemens, participate in the Energy Efficiency 2000 Project. These projects provide a window to multiple business opportunities in central and eastern Europe.

19. In January 1994, a Gas Centre for the Promotion and Development of a Market-based Gas Industry in Economies in Transition was established upon the initiative of the ECE Working Party on Gas. Promotion and validation of foreign investment in the gas industries is at the forefront of the Centre's activities. This project involves some of the largest natural gas enterprises in the region. An advisory board, consisting of representatives of enterprises, Governments and other organizations supporting the Gas Centre, assists the ECE secretariat in administering the programme, according to the implementing decision of the Working Party on Gas.

III. DIFFICULTIES ENCOUNTERED

20. Although the business sector has welcomed and actively participates in the Commission's activities, difficulties have nevertheless arisen in certain areas. ECE experience shows that administrative bottlenecks in the management of extra-budgetary funds has dissatisfied a number of contributing companies from the business sector. For example, the donations in foreign currencies were not converted into Swiss francs at the appropriate time resulting in losses due to currency fluctuations. The lengthy administrative process to establish trust funds as well as to receive the contributions donated by the business community represents another hindrance in promoting cooperation. At times, public awareness tools have been inadequate and resource constraints have impeded efforts to meet the business sector's requests. In the field of EDIFACT, it was not possible on several occasions to supply businesses with new messages on diskettes. Differing approaches regarding the formulation and implementation of projects also exist between government officials and the business community.

IV. PROPOSALS FOR FACILITATING RELATIONS WITH THE BUSINESS COMMUNITY

21. Notwithstanding the interest and participation of the business community in ECE activities, it would be necessary to introduce a number of innovations so as to develop and expand this ongoing cooperation further. Some concern the United Nations as a whole, others could be decided at the ECE level.

(a) An outreach programme could be set up to show the business community how it might better cooperate with ECE, which is primarily an intergovernmental organization;

(b) Public information tools could be developed to promote ECE publications, products and services of interest to the business community. United Nations cooperation with commercial publishers could be intensified to achieve savings in the publications programme and to reach a larger audience;

(c) The setting-up of a business advisory board could represent a further step in better organizing interaction between ECE and the business community. The current practice for many ECE working parties and expert group meetings which permit the business community to observe technical meetings of interest to them should be encouraged. The advisory functions of the business community should also include financial engineering for the proposed programmes;

(d) Consultations should be strengthened with the business community through the established business councils, chambers of commerce and business forums such as Davos and Crans Montana. The United Nations should attain greater visibility in the business community's activities through the organization of and participation in workshops and consultative meetings;

(e) Following experience in energy and industry; more pilot programmes and projects could be developed in ECE with the financial support of the business community, based on the common interests of Governments, the United Nations and the business community;

(f) The management of extra-budgetary funds contributed by the business community should be improved, including the preparation by New York of flexible administrative guidelines understandable by the business community;

(g) In Europe contributions from business to the United Nations are not exempted from tax. Some legal work should be undertaken to explore how contributions of this kind could be facilitated in the future, possibly through the United Nations Headquarters in New York;

(h) The channels of communication between business councils established for the United Nations, chambers of commerce and business associations should be brought to the attention of United Nations programme managers, since the ongoing initiatives are still sporadic and depend solely on initiatives proposed by programme managers or interested business partners.



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**DIVERSIFICATION OF FORMS AND METHODS OF THE COMMISSION'S ACTIVITIES
DESIGNED TO ASSIST THE INTEGRATION OF THE COUNTRIES IN TRANSITION
INTO THE EUROPEAN AND GLOBAL ECONOMY**

Note by the Executive Secretary

1. Introduction

1. The primary objective of ECE technical cooperation activities is to act catalytically to promote the self-reliance of the recipient countries so as to assist them in their efforts in the management of the transition processes. The ECE intergovernmental and expert meetings, workshops and advisory services are instrumental in securing relatively rapid needs assessment in countries in transition. One of the important aspects of ECE assistance is to draw the attention of the United Nations and other international institutions to the needs identified, and not to develop its own country programmes and projects.

2. Cooperation with the United Nations system has been strengthened using the established mechanism of the Consultative Committee on Programme and Operational Questions (CCPOQ) which put considerable effort into increasing efficiency and cooperation among United Nations entities in preparing for the triennial policy review of the UN operational activities by the General Assembly at its 50th session.

3. The present report summarizes major operation activities carried out so far, as well as the new activities aiming to diversify the scope and content of ECE efforts to assist the integration of the countries in transition into the European and global economy in response to decision B (50). To this effect, increased interaction has been secured with donor agencies, particularly the European Union, the principal donor in the region.

4. The report provides information on the United Nations Triennial Comprehensive Policy Review, cooperation with the UN system, European Union, financial institutions and business community. More detailed information is provided on ECE workshops and established technical assistance programmes and projects. The possibilities of strengthening the ECE training programme are presented. However, the shortages in cashflow and restrictions imposed have put severe constraints on the programmed development of training material for the use of training institutions in transition countries. The ECE advisory services, presented in a separate report, were most instrumental in enlarging the scope and content of the ECE operational activities presented in this report. It has to be pointed out that close interaction between ECE regular programmes and operational activities has been maintained, resulting in a synergy of efforts.

2. Triennial Comprehensive Policy Review of Operational Activities for Development of the United Nations System

5. The triennial comprehensive policy review of operational activities of the UN system provides an important opportunity to improve the efficiency of technical cooperation to the recipient countries of the UN system.

6. In response to Assembly resolution 47/199 regarding recommendations on how to improve United Nations operational activities, a process of extensive consultations within the UN system was launched in the context of ACC. The preliminary review at the 1995 substantive session of ECOSOC provided important insights into current policy issues which guided the finalisation of the report in accordance with the provisions of ECOSOC resolution 1995/50 (paragraph 4).

7. ECE participated in the preparation of the report in the framework of CCPOQ, representing frequently the views of other regional commissions, in order to indicate the need for increased regional cooperation in operational activities. The Secretary General's Report (A/50/202) contains 28 recommendations and supporting analyses requested by resolution 47/199. In addition, for the first time, the Report deals with the improved regional cooperation and increased collaboration with the Bretton Woods institutions.

8. The capacity of the regional commissions to address the issues of intercountry and regional character was reflected in the proposal to prepare a regional strategy note to serve as a framework for regional cooperation. It was also proposed that regional and intercountry dimensions should be considered during the process of preparing country strategy notes.

9. The Second Committee at the 50th session of the General Assembly considered the proposal on regional strategy notes which, however, was deemed premature since most recipient countries, including those in the ECE region have not yet prepared their country strategy notes (with the exception of Turkey and Ukraine).

10. Assembly resolution A/C.2/50/L.79, in operative paragraph 20 supported regional coordination and requested the Secretary General, in consultation with member States, to consider ways and means of enhancing coordination of

United Nations activities at the regional and sub-regional levels and of promoting national ownership of regional programmes. Regional coordination will be further discussed at the 1997 substantive session of ECOSOC.

3. Workshops

11. Decision B (50) underlines the valuable role of the ECE in assisting the countries in transition in particular through the programme of workshops, seminars and other similar informal activities on transition issues organized under ECE auspices.

12. Cooperation in the organization of workshops with other international organizations and institutions in the region has been reinforced as well as collaboration with sub-regional groupings.

13. Since the programme began in May 1990, 183 workshops have been held within the Commission's activities designed to assist the integration of the countries in transition into the European and global economy, in the following fields: human settlements; environment; industrial development; energy; transport; statistics; forestry; economic analysis and population, including women and older persons.

14. From 1 April 1995 to 14 April 1996, 37 workshops were organized or planned under ECE auspices, of which 8 referred to energy, 7 to environment, 6 to industrial development, 5 related to human settlements, 3 to transport, 3 to economic analysis and population, 2 to statistics; 2 to forestry, and one to trade. However, some of the ECE meetings, work sessions and seminars classified as regular meetings and providing technical assistance to countries in transition could also be considered within the programme of workshops. For example, this is the case of the Trade Division which had one workshop only during the last year but has initiated a number of technical meetings and seminars to strengthen its regular work programme.

15. In comparison with the number held during the previous period (45 from 1 April 1994-31 March 1995) the number of workshops is lower. The 18% decrease is mostly due to the temporary limitation in travel - eight workshops were postponed due to the UN cash-flow shortages. This proves that the demand for ECE workshops is sustained.

16. The number of host countries has increased both in countries in transition and in market-economy countries from 17 to 19. Twenty-one workshops were organized in 10 market-economy countries and 16 workshops in 9 countries in transition.

17. Some workshops were entirely organised by the ECE Regional Advisers. They often participated in the organization of advisory and training workshops or expert meetings in which a particular follow-up is requested, for example, the advisory workshop on Industrial Restructuring in Selected Countries in Transition (Geneva, June 1995) which provided a country-by-country analysis of industrial restructuring for strategic planning both for government officials and the private sector. The following workshops were or will be organised between April 1995 and April 1996:

18. Energy Eight workshops: Four on gas issues related to transmission and distribution systems, contracting principles, project analysis and management and gas policies (Netherlands, Romania, Hungary, Slovenia); Three on coal issues related to development of clean small sized boilers, market adaptation of coal industry structures and development of the UN market oriented classification of the assessment (Poland, Czech Republic, Germany); one on renewable sources of energy (RSE), in particular on the use of solar energy (Israel). None postponed due to shortages in cash-flows.

19. Environment Seven workshops: two on economics and environment (Czech Republic, Geneva); one on environmental performance reviews (Bulgaria); one on the Convention on Environmental Impact Assessment in a Transboundary Context (Norway); two in relation with the Convention on the Transboundary Effects of Industrial Accidents (Germany, Finland); one as training course on chemical emergency preparedness and accident prevention in cooperation with the industry division (Poland). Four workshops were cancelled or postponed on issues related to the Environment and Human Settlements Division, and two were cancelled due to budget freeze.

20. Industrial development Six workshops: one on the Implementation and Certification of Quality Assurance Systems (Romania); one Advisory workshop on Industrial Restructuring (United States, support from the EU, OECD and EBRD); one on Small and Medium-sized Enterprises (Russian Federation); one on industrial policies in the economies in transition and main policy issues, focus on Hungary (Hungary, cooperation with UNIDO); one on Soil Decontamination and Remediation (France, follow-up workshop in 1997); one on Industrial Safety (Geneva), two workshops postponed due to the UN cash-flow shortages.

21. Human settlements Five workshops: four on issues related to cadastre development in countries in transition (Netherlands, Latvia, Bulgaria, Spain); one on modernization policies for built-up areas focused on experiences in Western countries (Denmark).

22. Transport Three workshops: One on transport sector transformation for countries in transition, organized jointly by the European Union and the United Kingdom under ECE auspices (United Kingdom); one on improvement in statistics on the transport of goods by road (Netherlands); one on ECE work in the field of transport including legal instruments (Geneva); One workshop was postponed due to shortages in cash-flow.

23. Economic analysis and population Three workshops: two training workshops on International Migration Surveys (Poland, Geneva) and one workshop on Impact of economic instruments for environmental policies on privatized industrial and agriculture enterprises (Geneva).

24. Statistics Two workshops: One on agriculture statistics for central and east European countries (Slovenia - ECE-Eurostat-FAO-OECD); and one for the discussion of the results of the international comparison of economic development (per capita GDP in common currency - Austria - in cooperation with Austrian Central Statistical Office, OECD, Eurostat).

25. Forestry Two workshops: one on forest seeds collection, treatment and storage and one on market research, market development, marketing and distribution of saw milling products. One workshop was postponed due to cash-flow shortage.

26. Trade One workshop: on promoting the expansion of trade of the countries in transition as an important factor of their integration with the European and global economy (Geneva). Two workshops were cancelled due to shortage of funds: one on financing trade in countries in transition and one on promotion of foreign direct investments for small and medium-sized enterprises.

27. Results of the ECE workshops are regularly reported and evaluated by ECE, and the follow-up influences the work of the Commission as a whole. Conclusions and recommendations are considered by the PSBs and working parties and often influence their programmes and methods of work permitting a rapid and effective response to the needs of the economies in transition.

28. Follow-up to the workshops varies according to the kind of results: (a) workshops influencing the ECE programmes of work; (b) workshops influencing national policies; (c) workshops contributing to specific projects and technical assistance activities of ECE and of other organizations and institutions.

4. Trust Fund on Assistance to Countries in Transition (TFACT)

29. The Trust Fund on Assistance to Countries in Transition provides a channel through which governments, international organizations, institutions and other donors may contribute funds to help countries in transition and newly independent States to defer the costs of their participation at ECE workshops and experts meetings.

30. Decision B (50), paragraph 6, invited all potential donors to finance the programme of workshops, seminars and other forms of activities on transition issues operated under ECE auspices. A similar request was addressed by the Parliamentary Assembly of the Council of Europe which requested its member States to contribute to TFACT.

31. The net unencumbered balance excluding programme support costs, mandatory operating reserve and interest, as at 31 January 1996 is US\$133,551. Of this balance, amounts have been earmarked by the donors for the following sectors: Environment (US\$85,609), Transport (US\$11,670), Trade Facilitation (US\$3,246), Economic Analysis (US\$1,358), Agriculture and Timber (US\$1,639), and Human settlements (US\$13,552).

32. The European Commission's contribution of US\$16,577 has been specifically earmarked for the environment, transport, statistics, trade facilitation, economic analysis and energy.

5. Technical cooperation programmes and projects

33. The contribution of ECE divisions to operational activities either in the form of well established projects funded by UNDP and UNFPA or through ECE

trust funds has been continued and further strengthened and some new initiatives have been developed through the programme of regional advisory services.

Population

34. Three projects were conducted with the financial support of UNFPA:

a) Population Ageing Project (RER/92/PO2) assembled and standardized for 11 countries cross-nationally, comparable data sets, comprising samples of about one million individual census records per country. Since the initial phase the number of countries has expanded to 15, which has increased the work load. The US National Institute of Ageing provided additional financial support. An outline for a standard country report has been prepared. The project is an important part of the follow-up to the Social Summit and will be of special interest in the context of 1999 Year of the Ageing.

b) Fertility and Family Surveys Project (RER/92/PO3) conducted surveys in 21 countries. The standard country report is complete for one country (Norway) which will serve as a model for country reports. An additional four countries have expressed interest in participating in the project. Its results promise a new insight at the crucial stage of demographic development in the region and it would contribute to the implementation of the Action Programme of the International Conference on Population and Development.

c) International Migration Project (RER/92/PO1) The objective is to provide a basis for informed policy making on migration issues. An overview of on-going migration research in the region has been published. Eleven country studies on international migration in central and eastern Europe have been prepared as well as a study by national experts on irregular/illegal transit migration. A study on international migration policies is being prepared. The project includes the biannual publication of the International Migration Bulletin, which is widely disseminated. In-depth ethno surveys on mechanisms, determinants and consequences of migration are being conducted in three central and east European countries, and 6 training workshops were held.

35. The three projects were externally evaluated in January 1996. The evaluation report stresses that all three projects are highly relevant to country concerns. Country interest is supportive of ECE's coordinating role. Taken together, the projects constitute a highly efficient and cost-effective regional population programme. The projects are in general well designed and were derived from a careful assessment of needs. During their execution they have all benefitted from the advice of country participants and top-level specialist advisers. It is expected that the project will continue in 1996/7.

Statistics

36. Preparatory activities of the joint ECE/UNDP (RER/93/019) regional statistical project "Support for Development of Social Statistics" were finalised: the First Steering Committee Meeting (April 1995) launched the Project and by July 1995 the Project Document was signed by all the invited countries in transition from the ECE region. The first two training activities

were very successful; the Workshop on "Networking and Distributed Processing", for specialists from the central and east European Countries; and the "Workshop for Census Managers on how to plan and organise a population and housing census", for specialists from CIS countries. These first instalments will be followed in early 1996 by the complementary "Networking and Distributed Processing" for CIS countries, and "Census Managers" for the central and east European Countries. In cooperation with the Council of Europe, the participation of specialists from Croatia, Estonia, Latvia, Lithuania, Slovakia and Slovenia was arranged in the census of Malta (November 1995). In order to help transition countries in their efforts to produce social and demographic data, an expert hired by ECE prepared "Guidelines for a National Compendium of Social and Demographic Statistics".

Transport

37. Work has continued on the Trans-European North-South Motorway (TEM) Project with the participation of 10 countries and Trans-European Railway (TER) Project with participation of 11 countries. OECD and EBRD participated in the activities of the projects. The main activities of the projects during the reporting period included network development, including databases, project financing and evaluation, transport management and improvement and harmonization of techniques. Several seminars, workshops and study tours were organised within the framework of the projects on topics such as environmental impact assessment of road infrastructure and reduction of nuisances, pavement management systems, concessionary arrangements, toll pricing and financial engineering, productive criteria in rail transport, as well as technical meetings on pilot studies and programmes. The projects have achieved the set objectives and the follow-up activities are well designed. The results of the projects provide important inputs into the ECE programme of work on transport.

Environment

38. Three technical cooperation programmes are being developed: (a) transboundary water management and protection involving Belarus, Estonia, Latvia, Lithuania, Russian Federation; (b) support for sustainable investment decisions in fresh water and sea water resource management through a regional network and framework for data market infrastructure; and (c) mitigation of environmental effects of the military complex and conversion to peaceful uses.

39. Cooperation at secretariat level has been strengthened between the ECE and the Danube Project Coordination Unit. In the second phase of the integrated water and wetland management project for the Danube River Basin (1966-1999) to be funded by the European Union, and possibly the Global Environment Facility (GEF), ECE was identified as associated agency in a number of fields with particular reference to legislation, organic and inorganic persistent micro-pollutants, contingency planning, environmental risk assessment and transboundary cooperation. Detailed arrangements are being worked out with all partners in this project with particular emphasis on ECE environmental conventions.

Trade

40. A number of technical cooperation activities were initiated during the year, mostly through the advisory services. An EDIFACT training guide is under development with ESCAP. TraFIX is a joint programme with some national trade facilitation bodies, using the Internet World Wide Web, to increase awareness and use of trade facilitation standards among SMEs. National initiatives to establish trade facilitation bodies were supported. A compact disc containing trade facilitation recommendations has been developed in cooperation with the Bulgarian trade facilitation body, BULPRO.

Timber

41. The secretariat completed the first round of monitoring implementation of resolution H3 "Forestry cooperation with countries with economies in transition" of the Helsinki Ministerial conference, and published the most important findings in the Interim report.

42. The report of the second round of monitoring, launched in November 1995, will be available by March 1996. The Timber Committee's regional advisor visited the Czech Republic, Slovakia and Hungary to overview the implementation, evaluate progress, consider ongoing projects as well as needs for assistance and identify problem areas where ECE can assist directly and indirectly. The project proposals to facilitate development in the defined problem areas are being elaborated to secure international financing.

Energy

43. The Energy Efficiency 2000 Project is funded by regular budget and extra-budgetary resources to a total expenditure of some US\$ 500,000 per year spent in 1994-95 and approved by the Steering Committee for 1995-96. In addition, the Project attracts further extra-budgetary resources which it spends directly from the UNDP/GEF (US\$ 300,000), UNDP-ILO (US\$ 41,000) and indirectly joint projects with other international organizations such as the European Commission SAVE Programme (US\$ 320,000). A preparatory assistance project to develop energy efficiency demonstration zones in Bulgaria, Czech Republic, Hungary and the Russian Federation was supported by the UNDP/GEF and extended to 1996. This assists economies in transition to prepare finished proposals for funding to be presented to the GEF Executive Council in 1996 and links their proposals with co-financing of the World Bank, commercial banks and the European Union PHARE and THERMIE programmes.

44. Energy efficiency trade promotion activities continued during 1995 with the second phase of the Project (1994-1997) holding trade fair business briefing sessions in Plovdiv (Bulgaria), Prague (Czech Republic), Maribor (Slovenia) and Lausanne (Switzerland) and an Ad Hoc Meeting on Energy Efficiency Demonstration Zones and the conversion of military industries to the manufacture of energy efficient technology in Minsk (Belarus) with the participation of the ILO.

45. A joint project with the European Union SAVE programme on energy efficiency standards was initiated in Belarus, Bulgaria, Hungary and Ukraine.

Studies on the technical features of existing appliance stock, manufacturing capacity and market for energy efficient appliances will be completed with local teams in the economies in transition. Work on financial engineering continued with the development of training courses based on the manuals for business planning for energy efficiency investment projects. Project proposals developed during the training course are to be presented to international financial institutions and commercial banks at the second session of the Ad Hoc Group of Experts on Financial Engineering to be held in Budapest (Hungary) in October 1996.

46. A new activity on financial mechanisms for energy efficiency investments in the Russian Federation began with the EBRD, World Bank, Russian commercial banks and western experts developing guidelines for an investment project.

47. The Technical Cooperation Programme "Promotion and Development of a Market Based Gas Industry in Economies in Transition - Gas Centre" was established in 1994 with the general objective of assisting the gas industries in economies in transition in the area of pricing and tariff systems, price policies, regulatory and legal measures, demand management and tax policies with the final goal of having an efficient and transparent gas industry, cognizant of the public interest.

48. During its first year of operations, four seminars and training sessions were organized and attended by 400 participants from more than 30 member countries; Three publications were issued and a fourth one is under preparation; Work has been initiated on the development of a gas data base; A draft of a training manual for natural gas rate-making has been designed and distributed among Gas Centre members.

49. In 1996, the work programme of the Gas Centre will cover a wide range of activities, with immediate priorities on training, technical missions, publishing activities and data base development. Future activities will include in-depth studies on key issues in the gas industry in economies in transition, including gas price policy, price trends, competitiveness, restructuring, privatization techniques and trends and investment trends. Company profiles of major natural gas companies in the ECE region will also be published on a regular basis.

50. The Gas Centre is supported directly by Governments, organizations, private gas companies and other institutions through contributions to the Gas Centre Trust Fund, which is administrated by the United Nations. Support is provided in the form of cash contributions to the Trust Fund, as well as resources offered by participating institutions for project activities, mainly in connection with seminars and conferences and secondment of experts. The cost plan for 1996 amounts to US\$367,000. Total pledged contributions for 1996 reached US\$400,000 at the end of November 1995.

Industry and Technology

51. The Working Party on Steel is a member of the project on Steel Industry in Europe, which includes the World Bank, EBRD, European Union and International Iron and Steel Institute (IISI). Eight steel producing

countries of central and eastern Europe participate in the project. In the framework of the project, which enabled five organizations to join their efforts in securing the integration of the steel industry into the European and world economy, two studies were issued "The Global Study of the Steel Industry in Europe" and "The opportunities for Cooperation in the Steel Industry". Conferences on steel related topics were held in various countries.

52. A pilot project was initiated by the Working Party on the Chemical Industry on the environmental clean-up of sites polluted by chemicals in economies in transition. Fifteen countries in transition indicated A total of 42 such sites, of which five have been selected as priority once funds for the project are secured. Work should start in the second part of 1996.

53. Several project proposals have been submitted to the European Union PHARE and TACIS programmes for possible funding, as reflected under section 10.

6. Data collection and sharing

Data collection and data sharing on foreign direct investments

54. In conformity with decision B (50) ECE has applied for a grant from the World Bank to develop a database relating to legal aspects of foreign investment and privatization in transition economies. While the initial reaction of the World Bank to this application was positive they have not as yet made a definite response and negotiations are still under way.

55. Upon request ECE routinely shares the available FDI information with other users including international organizations. Interested departments of the EBRD were included on the mailing list for the ECE newsletter, East-West Investment News. The ECE Statistical Survey of Foreign Investment in Transition Economies, prepared for the annual sessions of the Committee on the Development of Trade, is distributed to many national and international institutions. In December 1995 copies of the Survey were sent to statistical offices and national banks, including those which have not yet participated in ECE data collection in countries in transition, as well as to those government agencies of developed market economies which have expressed interest in ECE work (e.g. the U.S. Department of State, Department of Commerce, General Accounting Office, OPIC, International Co-operation Agency of Japan, Turkish International Co-operation Agency, Swiss Office of Foreign Economic Affairs), and international organizations: the OECD (International Investment Policies Department), World Bank/IFC, Commission of the European Communities (Statistical Office) and EBRD.

56. On the legal side, under the auspices of the Committee on the Development of Trade, the Working Party on International Contract Practices in Industry (WP.5) produces draft model agreements (e.g. joint venture, buy-back or counter-purchase) and legal guides aimed at facilitating business negotiations in transition economies and the dissemination of information on new forms of economic cooperation. The Working Party Recently finalized a guide on Financing Trade and Private Companies which will be published in early 1996. A guide on Adopting Property Laws: A Guide for the Transition Economies will be issued shortly. The Working Party is now developing Model Guidelines on New

Forms of Project Finance, Including BOT which will help transition economies mobilize external finance, particularly in infrastructure development.

List of experts and specialists

57. The list of experts and specialists on the problems of privatisation has been finalized (E/ECE/1328/Add.1).

OECD database on technical cooperation programmes in countries in transition

58. OECD has proposed that ECE take over the handling of the CCET (Centre for Cooperation with the Economies in Transition) Register. Due to staff limitations ECE has approached the UN International Computing Centre in Geneva whose initial assessment is that they could provide the "technical infrastructure" to operate the Register technically, provided that the ECE would provide substantive engineering to the Centre. Alternative approaches and financial requirements to continue the register are being assessed.

7. National capacity strengthening and training programmes

59. Decision B (50) recommends that the Executive Secretary in consultation with UNDP, EBRD, OECD, the World Bank and other institutions and organizations explore the possibility of establishing in one of the interested countries in transition and with financial support of these organizations and institutions of training courses in the matters of market economy for the representatives of administration and business community of the countries in transition.

60. The process of consultations has been carried out to assess the possibilities of improving the ECE role in human resources development by increased cooperation with relevant institutions.

61. The Joint Vienna Institute is a cooperative venture between the Bank for International Settlements (BIS), EBRD, World Bank (IBRD), the International Monetary Fund (IMF) and OECD. The Commission of the European Communities also played an important role in the start-up and early development of the Institute. In addition, support is given by the Government of Austria as well as the Austrian Development Bank and several donor countries.

62. JVI is specialized in providing training related to the management of transition processes to help meet massive training requirements of the former centrally planned economies. ECE had consultations in November 1995 with the Director of the Institute and with the Chairperson of the Training Design Committee to discuss ECE possibilities of cooperation for the JVI 1996 programme. ECE could organize within JVI some training seminars on topics such as: trade facilitation, entrepreneurship, particularly small and medium enterprises, ECE environmental conventions, investment data, land registration (cadastre), industrial restructuring, energy pricing, etc. As a first activity ECE has proposed a seminar on facilitating trade in transition economies, designed for civil servants in Trade Ministries in transition economies, which could be held during summer 1996.

63. The European Training Foundation, an autonomous agency of the European Union, was established in 1995 in Turin, Italy. Its key tasks are to coordinate and support EU activities in the field of initial and continuing vocational education and training as part of the overall economic restructuring effort in the countries of central and eastern Europe and the former Soviet Union. Central to this role is the management of vocational education and training programmes supported by the EU's Phare and Tacis programmes. The Tempus Programme in the field of higher education is also managed by the Foundation.

64. Initial contacts were established with the Foundation to exchange views on the possibilities of future cooperation in the management training programme. ECE intends to cooperate in training of advisers for entrepreneurship and development of SMEs. While there is a willingness to cooperate with ECE, the Foundation has not yet been able to commit funds. It was agreed to hold a technical meeting with ECE as soon as their funding scheme is in place, possibly in May or June 1996.

65. As previously reported, contacts with the ILO/Turin Centre continued in 1995 to reinforce cooperation for the development of manuals for training of trainers in the fields covered by the Centre's regional programmes and the needs identified by ECE through its advisory services and regular programme activities, and the development of small and medium-sized enterprises (SMEs) in countries in transition. The project was planned to start in October 1995 but was postponed to 1996 due to cash-flow shortages. Other possibilities were also considered in the field of energy efficiency and statistics, but had to be cancelled due to the cash-flow crisis and loss of budgetary resources. Consequently, the production of training packages can be resumed only when additional resources are secured.

66. Regional coordinating centres for training under ECE environmental conventions: Under the Conventions in the fields of water management, environmental impact assessment and industrial accidents, Governments are creating regional centres for the development of capacity building, to provide effective tools to convey experience gained to countries in transition. UN/Regional Coordinating Centres for training and exercise in the field of prevention, preparedness and response to industrial accidents were established in Warsaw and Budapest in 1994. Their programmes for 1996 were discussed by the Fifth Meeting of the Signatories to the Convention on the Transboundary Effects of Industrial Accidents, including the elaboration of a strategy for accidents related to training and education, strengthening cooperation among rescue services and the points of contact for accident notification and mutual assessments as well as emergency planning, public participation and industrial safety. Steps have also been taken to submit project proposals to the PHARE programme to assist central and east European countries in building up training activities within the Training Centres.

67. The Meeting on Military Activities and the Environment convened by UNEP in cooperation with ECE and hosted by the Government of Sweden (Linköping, June 1995) devoted considerable attention to improved training, capacity building and exchange of information and experience. In the Linköping document, the meeting welcomed the offer of the delegation of Hungary to open

up to a number of ECE countries a national centre for training and information regarding environmental activities of the armed forces in consultation with the ECE and NATO.

68. Consultations were also held with the International Institute for Public Administration in Paris and International Environmental Academy in Geneva on possible cooperation related to human resource development, curricular and training programmes for the regional training centres on industrial safety and water management.

8. Reconstruction of war-torn areas

69. The long standing ECE mandate "to initiate and participate in measures for facilitating concerted action for the economic restructuring of Europe" is equally valid for present efforts to assist war-torn countries and areas in the ECE region. Reconstruction in the ECE region will be all the more complex since it will take place in the context of an interrupted transition process.

70. Assistance to war-torn areas requires a coordinated effort by the UN system and ECE has taken an active part in the CCPOQ efforts to secure an appropriate UN response.

71. The ECE participated in the fifth of a series of High-level Tripartite meetings of the OSCE, Council of Europe and United Nations held in Paris in December on the eve of signing the Dayton agreement. Rehabilitation and reconstruction in the territory of the former Yugoslavia was discussed focusing on coordination issues and funding. ECE expressed willingness to cooperate with OSCE and the Council of Europe on the mid-term reconstruction of war-torn areas in a number of sectors and using established modalities for cooperation such as providing an open forum for discussion, relevant information and statistics, legal instruments, workshops and advisory services, as well as the interaction with NGOs and business community through ECE established network of contacts. The ECE Executive Secretary submitted a working document to the Secretary-General on the possible contribution by ECE which was also made available to interested governments, institutions in charge of the reconstruction programmes and the World Bank.

72. The European Union invited ECE to participate in the first meeting of donor countries and organisations on the reconstruction of Bosnia and Herzegovina (Brussels, December 1995). The overall programme of priority reconstruction and social support has been estimated at some US\$ 5.1 billion. The objective of the initial stage of US\$ 518 million in commitments was reached during the meeting. A priority reconstruction programme was drawn up by the World Bank following a joint mission with the European Commission, IMF, EBRD, USAID and IMG in September 1995. The technical reports for the meeting were studied by ECE and there are a number of areas where ECE could assist such as statistics, gas, transport, energy, trade and investment, in the event that its assistance is requested by ECE member States, the European Union or the World Bank

9. Cooperation with the United Nations system

73. Cooperation with the United Nations system has been strengthened in all aspects of the on-going assistance provided to the economies in transition, including workshops, advisory services and training. The major donors of assistance within the UN system, UNDP and UNFPA, continued their financial support to some ECE programmes and projects.

74. Cooperation has been developed with the UNDP Regional Directorate in Europe and the CIS (RDEC). ECE participated in the regional meetings of RDEC resident representatives in St. Petersburg in June 1995 in which new approaches to project development, resource mobilisation and status of regional programmes for the sixth programming cycle were discussed. Some new initiatives were also taken in promoting electronic information and communication networks at regional and national levels. Particular attention was given to an increased partnership with Bretton Woods institutions and non-UN system partners through identification of flagship projects and interregional transfer of experiences, particularly from the ECLAC region. Cooperation with NGOs will also be promoted.

75. UNDP operational priorities for 1996/7 period emphasise sustainable human development and national capacity building, in particular poverty elimination, creation of employment and sustainable livelihood, advancement of women and environmental protection. The UNDP human development report, prepared for all transition countries within the region, will in 1996 emphasise human settlements. ECE has provided inputs for the reports as well as relevant information related to the priority areas on environment and women.

76. Close interaction has been secured with ESCAP in providing assistance to those countries which are members of both ECE and ESCAP. Regular exchange of information helps to avoid overlapping. Several joint activities have been carried out, particularly on energy, environment and population.

10. Cooperation with the European Union

77. The consultative process with the European Union has been intensified following the Executive Secretary's visit to Brussels in order to secure efficient coordination for the benefit of countries in transition. ECE Divisions and EU Directorates exchange programmes and publications. Following initial consultation, submission of project briefs and exploring possibilities of securing preparatory assistance has been agreed upon.

78. So far seven project outlines, identified through ECE advisory services and been requested by member countries as high priority development programmes, are being reviewed by PHARE and TACIS technical services. They include:

(a) For countries eligible for PHARE programmes:

- Harmonization with the Programme for intensive monitoring of forest ecosystems of the European Union in selected non-member countries
- Trade facilitation information for trade operators
- Role of government in creating credit guarantee schemes to promote SMEs

(b) For countries eligible for TACIS programmes:

- Improving trade finance and investment for the Russian timber sector
- Developing trade finance facilities for CIS and Mongolia: Contracts and documents in trade
- Workshop on international transit traffic trade facilitation

(c) For PHARE and TACIS countries:

- Protection and management of transboundary waters between Belarus, Estonia, Latvia, Lithuania and the Russian Federation

79. It is expected that some support will be available to secure further development of these initial project briefs in close consultation with countries in transition eligible for PHARE and TACIS assistance.

11. Cooperation with financial institutions and the business community

80. Through its regular programme of work ECE has developed cooperation with financial institutions, particularly the World Bank and the EBRD. In its efforts to promote assistance to economies in transition, ECE advisory services regularly provide information to countries on financial engineering in cooperation with financial institutions. There are only few possibilities for ECE to receive direct financing from these institutions.

81. The possibility is being explored of using the World Bank Special Guest Programme (SGP), the Bank's instrument for supporting multi-donor initiatives that address significant global or regional development not within the scope of the Bank loans. The SGP covers a wide range of activities such as agricultural research, health, human resource development, environment and private sector development. The majority of grants finance multi-year programmes and are reviewed on an annual basis. The programmes for submission to SGP are being developed taking into account the selection criteria which put emphasis on multi-country cooperation and benefits.

82. Since its inception, the ECE has maintained extensive relations with the business community. In 1990 the Commission issued a brochure entitled ECE and the Business Community which describes its long-standing cooperation with the private sector. The brochure served as an ECE contribution to the Bonn Conference on Economic Cooperation in Europe held in March/April 1990. This sector's interest in the Commission's work, which has evolved with the changing political and economic situation in the region, is explained by the fact that the Commission is one of the few regular forums where a multilateral and comparative perspective can be taken with both the business community and government officials. ECE activities in such areas as norms and standards setting, the environment and human settlements, the "Environment for Europe" process, trade facilitation, East-West trade and investment promotion, transport regulations, industrial cooperation, energy, and assistance to countries of the ECE region in transition have proved very attractive to the business community. Business enterprises actively participate in seminars, round tables, workshops and study tours organized under ECE auspices which provide opportunities for business contacts. They contribute expertise and material to symposia and other meetings and are involved in the Commission's technical cooperation programmes.

83. Several thousand experts world wide, mainly specialists from enterprises, are involved in the formulation of UN/EDIFACT messages and recommendation for the electronic exchange of trade and transport data. A number of seminars have been held on East-West trade promotion, marketing and business contacts. The most recent was the high-level Forum on Attracting Investment for Large-scale Infrastructure Projects in the Countries of Central and Eastern Europe and the Commonwealth of Independent States (CIS), held in November 1995, in Geneva, with the assistance of International Business Communications Limited (BC, UK Conference LTD). This Forum brought together some 300 participants, the vast majority of them from the private sector, to explore the feasibility of applying new methods of financing infrastructure projects in the region, involving private enterprises. In the industrial fields of chemicals, steel, and engineering and automation, 80-90% of the participants come from this sector. Energy-supplying industries are involved in the ECE Gas Centre, while energy technology manufacturing industries, such as Rolls Royce and Siemens, participate in the Energy Efficiency 2000 Project.

84. The Commission has participated as an observer in, or prepared substantive contributions to, various economic forums, including Davos and Crans Montana. It is currently cooperating with the recently established European Business Council for the United Nations. Meetings have been convened between the ECE and the Business Council to seek ways of intensifying interaction between the business community.

85. ECE participates in an Ad Hoc Working Group established to consider ways and means of facilitating the interaction of the United Nations with NGOs and the business community. In January 1996, ECE prepared a paper on its relations with the business community for the Geneva Working Group on NGOs. It contained some proposals based on ECE experience for facilitating relations with the private sector.

12. Concluding remarks

91. ECE has explored possibilities of diversifying its forms and methods of assistance to economies in transition with a view to facilitating their integration into the European and global economy. However, the diversification efforts were focused on those activities which are closely related to the on-going ECE work programme of priority interest to the countries in transition.

92. The Commission might wish to provide guidelines on those activities which should be reinforced in the forthcoming period. The steady or even growing demand for workshops and the tangible outputs of the on-going selective technical cooperation programmes suggest that they should be continued and strengthened.

93. In the field of human resources development efforts should continue to increase interaction with training institutions and programmes, and to provide greater assistance to national training centres and institutions.

94. Resources permitting, it would be desirable that ECE develop training materials, portfolios and/or modular training packages for training of

trainees in cooperation with the ILO/Turin Centre. This would enable their translation into national languages which would secure a multiplier effect of training activities in countries in transition.

95. Assistance to war-torn areas might become relevant in the future taking into account ECE cooperation with OSCE, Council of Europe, European Union and the World Bank.

96. Cooperation with the European Union will be further strengthened particularly in securing country agreements for devising more ambitious programmes of interest to several countries.

97. Efforts will be made to draw the attention of financial institutions and other donors to the identified needs for assistance in countries in transition.

98. Cooperation with the business community should be strengthened in a more consistent framework to be considered and recommended by the Commission.

99. ECE will intensify the process of consultations with the UN system so as to provide a regional framework for national transition efforts, including joint programmes of assistance. This would secure the maximum outreach and use of ECE programmes.

100. It is hoped that ECE member countries and other donors will continue to support ECE activities of assistance to economies in transition which so far have been carried out in a catalytic manner with minimum financial resources.
